

**STATE OF RHODE ISLAND
EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES**

**7/29/2015 PUBLIC NOTICE OF PROPOSED AMENDMENT TO RHODE ISLAND
MEDICAID STATE PLAN**

In accordance Rhode Island General Laws 42-35, notice is hereby given that the Executive Office of Health and Human Services (EOHHS) proposes to make the following amendment to the Rhode Island State Plan under Title XIX of the Social Security Act:

**Reinventing Medicaid 2015:
Nursing Home Rate Reduction and Elimination of the October 1, 2015 Payment Rate
Increases for Nursing Homes**

As part of Governor Gina Raimondo's effort to reform Medicaid, the Working Group to Reinvent Medicaid issued an April report that recommended numerous initiatives to achieve financial savings in State Fiscal Year (SFY) 2016. The Governor introduced those recommendations in a budget article entitled, "The Reinventing Medicaid Act of 2015." The Rhode Island General Assembly passed the Reinventing Medicaid Act in June.

As a result of the Act's passage, EOHHS is seeking federal authority to implement several changes to the Medicaid program. This state plan amendment will eliminate all nursing home rate increases scheduled for October 1, 2015. Those annual rate increases will resume in October 2016.

Additionally, this state plan amendment will enact a 2% rate reduction on Medicaid nursing home payments for fee-for-service beneficiaries.

This proposed amendment is accessible on the EOHHS website (www.eohhs.ri.gov) or available in hard copy upon request (401-462-1965 or RI Relay, dial 711). Interested persons should submit data, views, or written comments by August 30, 2015 to Darren J. McDonald, Office of Policy and Innovation, Executive Office of Health and Human Services, 57 Howard Avenue, Cranston, RI, 02920, or darren.mcdonald@ohhs.ri.gov.

In accordance with the Rhode Island General Laws 42-35-3, an oral hearing will be granted on the proposed State Plan Amendment if requested by twenty-five (25) persons, an agency, or by an association having at least twenty-five (25) members. A request for an oral hearing must be made within thirty (30) days of this notice.

The Executive Office of Health and Human Services does not discriminate against individuals based on race, color, national origin, sex, gender identity or expression, sexual orientation, religious belief, political belief, or handicap in acceptance for or provision of services or employment in its programs or activities.

The property tax component is facility specific, i.e. based on actual property taxes assessed and paid.

☐ Provider Assessment

The provider assessment is an amount equal to 5.82% of the sum of the above components to recognize the state's Provider Assessment Tax. Should the state's 5.5% Provider Assessment Tax rate change, this add-on will be adjusted accordingly. Below is an example of the adjustment to the add-on in the provider tax were to be changed to 4.0%.

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|----|--|-------------------------------------|
| 1. | Per diem base rate (excl. provider tax): | \$200.00 |
| 2. | Calculate per diem rate with 4.0% tax: | \$200.00 divided by .96 = \$208.33 |
| 3. | Calculate provider tax amount: | \$208.33 minus \$200.00 = \$8.33 |
| 4. | Calculate add-on percent: | \$8.33 divided by \$200.00 = 4.165% |
| 5. | Calculate provider tax add-on: | \$200.00 times 4.165% = \$8.33 |
| 6. | Calculate per diem rate incl. tax: | \$200.00 plus \$8.33 = \$208.33 |

B. Adjustments to Base Rate

☐ Patient Acuity

Recognition of patient acuity in the payment methodology is being incorporated through the use of a RUG-IV case-mix classification system. The case-mix classification system uses clinical data from the MDS assessment to assign a case-mix group to each patient that is then used to adjust a portion of the per diem payment based on patient resource use. (This is similar to how Medicare reimburses for care in a skilled nursing facility.) Each patient will be assigned one of forty-eight (48) RUG categories by the grouper based on his/her MDS record. A patient's MDS record is to be updated every ninety (90) days or in the event of a significant change in condition. Acuity will be based on the patient specific RUG category, i.e. full RUG-based system. The acuity factor (RUG weight) will be applied only to the Direct Nursing Care component.

To allow for necessary modifications to the state's MMIS claims processing system, full implementation of the RUG-based process will be implemented on June 1, 2013. In the interim, a facility specific case mix index was being used.

☐ Price Increases

The components of the base per diem rate will be increased annually, effective October 1 of each year (except in 2015 when no increase will occur). Additionally, beginning August 1, 2015 the per diem rates paid to each nursing facility, as calculated pursuant to this payment methodology, will be reduced by 2.0%:

1. Direct Nursing, Other Direct Care, and Indirect Care:
 - Global Insight/CMS Skilled Nursing Facility Market Basket
2. Fair Rental Value:
 - Global Insight Nursing Home Capital Cost Index
3. Property Taxes:

TN: 15-012

Supersedes

TN: 13-006

Approved: _____

Effective: August 1, 2015

- Facility specific property tax payments

The Fair Rental Value rate for each nursing home was most recently increased effective 7/1/2012. The Property Tax rates are based on allowable tax payments and total patient days reported in each facility's most recently filed cost report.

C. Transition Adjustments

In recognition of the impact this change will have on nursing homes, the state has implemented a transition plan of at least four years in length. This change will be completed after October 1, 2016. The features of this transition are described below.

☐ Adjustment to Direct Care (Direct Nursing Care and Other Direct Care components)

For those nursing homes whose Direct Care per diem costs are greater than the Direct Care base rates, i.e. the sum of the Direct Nursing Care and Other Direct Care base rate components, which would result in a loss in reimbursement, the state has added a policy adjustment to fully compensate for that loss. This will ensure that patient care is not adversely impacted. This policy adjustment will remain constant throughout the transition period and will be eliminated effective October 1, 2016. See example below:

Actual Direct Care cost:	\$130.00
Minus Direct Nursing Care rate:	(\$100.44)
Minus Other Direct Care rate:	(\$23.74)
Policy adjustment equals:	\$5.82

☐ Adjustment to Overall Care

In addition to the above policy adjustment, the state has also implemented a gain/loss policy adjustment ensuring that, exclusive of the direct care policy adjustment, no nursing home will experience a gain or loss in year one of the transition of greater than \$5.00 per day. See example below:

Direct and Indirect Care base rate:	\$177.71
Actual Direct and Indirect Care costs:	\$160.00
Rate variance:	\$17.71
Maximum gain/loss	\$5.00
Gain/loss policy adjustment	(\$12.71)

This policy adjustor will be phased out over the transition period as follows:

• 10/1/12	100%	(\$12.71)
• 10/1/13	75%	(\$9.53)
• 10/1/14	50%	(\$6.36)
• 10/1/16	25%	(\$3.18)
• 10/1/17	0%	\$0.00

D. Periodic Rate Review

TN: 15-012

Supersedes

TN: 13-006

Approved: _____

Effective: August 1, 2015